



***Cabinet for Economic Development
2004 Annual Report***

**Marvin E. Strong, Jr.
Secretary**

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Kentucky Cabinet for Economic Development at A Glance

The **Kentucky Cabinet for Economic Development (KCED)** is the primary state agency in Kentucky responsible for creating new jobs and new investment in the state. Programs administered by the Cabinet are designed to support and promote economic development within the Commonwealth primarily through attracting new industries, assisting in the development of existing industries, and assisting communities in preparing for economic development opportunities. The Cabinet consists of:

Office of the Secretary
Department for Existing Business Development
Department for New Business Development
Department for Regional Development
Department of Financial Incentives
Department of Innovation and Commercialization for a Knowledge Based Economy

Kentucky Economic Development Partnership Board

The Cabinet is governed by the Kentucky Economic Development Partnership. The Partnership is composed of 11 voting and 2 nonvoting members. Eight private sector members appointed by the Governor represent each of the state's six congressional districts with two at-large members. The secretaries of four Cabinets; Economic Development, Finance and Administration, Environmental and Public Protection and the Commerce Cabinet, serve as public sector, ex-officio members. The secretaries of Economic Development and Commerce are non-voting members. The Governor serves as chairman of the Partnership.

Governor Ernie Fletcher, Chairman of Partnership
Commonwealth of Kentucky

William J. Jones
Division Manager
U.S. Bank

Luther Deaton, Jr., Vice Chairman of Partnership
President and CEO
Central Bank and Trust Company

Linda S. McGinnis
President and CEO
Appalachian Regional Manufacturing, Inc.

Nelda Barton-Collings
President
Tri County Cineplex, LLC and Nelda Barton-Collings Enterprises

Secretary R. B. Rudolph, Jr.
Finance and Administration Cabinet

Michael L. Dixon
Business Manager
Plumbers & Steamfitters Local 248

Secretary Marvin E. Strong, Jr.
Cabinet for Economic Development

William F. Dohn
Dohn & Dohn Gardens

Jean M. Wells
Vice President
Wells Health Systems

Secretary W. James Host
Commerce Cabinet

Secretary LaJuana Wilcher
Environmental and Public Protection Cabinet

Sandra B. Wood
President
McLean County Industrial Foundation

Secretary's Comments

With employment growth of 16,517 jobs in Kentucky in 2004, the state has had a strong year of economic expansion as our business partners continue to discover the many advantages our state offers. Here are just a few advantages we are often praised for: a highly productive workforce – favorable business climate – easy access to customer base – and a great working relationship with state and local officials.

Possibly the number one priority for businesses considering opening a new facility is an educated and trainable workforce. Workforce training gives companies a competitive advantage and Kentucky sets a high standard in achieving this priority. *Expansion Management* magazine has given Kentucky's industrial workforce training programs high honors once again, ranking Kentucky fifth in the nation in its annual survey of industrial site selection consultants.

Although the manufacturing industry remains Kentucky's largest economic sector, our state has created an attractive business climate for a variety of industries to thrive. Citicorp Credit Services expanded their operations, investing more than \$13 million in a new customer service call center facility in Louisville and creating more than 1,400 new jobs. In addition, Belcan Corporation was selected by Sikorsky Aircraft to locate a new Engineering and Design Center in Lexington creating more than 300 high-tech jobs.

Accessibility to customers and ease of distribution of products are Kentucky advantages too. Zappos.com, an online shoe retailer has discovered the opportunities Kentucky offers. Just two months after expanding their main distribution center in Shepherdsville, the company is planning a second facility just across from their current location creating an additional 231 new jobs in Kentucky.

International investment in the state was strong in 2004 with announced foreign investment exceeding \$843 million representing more than 3,900 jobs created. The automotive industry, continuing to grow in Kentucky, exemplifies the strength of foreign investment in the state. Success stories include Cosma International Group's second phase of investment in their Bowling Green facility. Cosma is a leading global supplier of technologically advanced automotive systems. Webasto Roof Systems, the world's largest manufacturer of auto sunroof systems, located their third Kentucky facility in Murray this past year citing Kentucky's strong state and local government support and the employee work ethic and commitment to quality in their decision. Additionally, Daicel Safety Systems America, a manufacturer of airbag inflators for the automotive industry, invested \$25.8 million in new building space and equipment enabling the company to increase production and create 209 new jobs.

The positive relationships we cultivate between state and local governments helps build a strong economic development foundation that our business partners appreciate. As a wide array of companies find an excellent state to expand and grow, our Kentucky families benefit with more opportunities for a better life and higher paying jobs. I want to thank all our partners for working with us to improve the lives of Kentuckians.

Sincerely,

Marvin E. Strong, Jr.
Secretary, Cabinet for Economic Development

Kentucky Cabinet for Economic Development Reorganization

- The Kentucky Economic Development Partnership Board enacted a resolution on June 14, 2004, which in part moves the single county LGEDF funds to the Governor's Office for Local Development (GOLD). The Cabinet transferred all single county LGEDF program files and actions to GOLD effective July 6, 2004.
- The Kentucky Economic Development Partnership Board reorganized the Office of the New Economy (ONE), transferring administration of ONE projects funded through the high-tech construction and investment pools to the Department of Innovation and Commercialization for a Knowledge-Based Economy.
- The Cabinet for Economic Development has reduced the number of contract legal firms from three to two, and has consolidated its legal staff, while bringing some items that were traditionally assigned to outside counsel in house.
- A new Office of Research and Information Technology was created, incorporating three Divisions – Network Administration and Support, Database and Systems Development, and Research and Site Evaluation.
- A restructured Division of Small Business Services was created, incorporating the Business Information Clearinghouse, the Kentucky Procurement Assistance Program, and the Small and Minority Business Branch.

2004 Governor's Leadership Awards

Three distinguished Kentuckians received the Governor's Economic Development Leadership Award in 2004. The awards recognize those individuals in Kentucky who volunteer their time and resources for economic development. They are designed to honor those whose vision and leadership have been instrumental in creating jobs and improving Kentucky's local, regional and statewide economy. Congratulations to the following recipients of the 2004 Governor's Leadership Awards:

Jonathan S. Blue

Louisville

Co-Managing Director
Cobalt Ventures, LLC

Todd L. Blue

Louisville

Co-Managing Director
Cobalt Ventures, LLC

Kenneth A. Wheeler

Paducah

Chairman
Greater Paducah Economic Development Council

Key Economic Development Rankings for 2004

Kentucky's economic development success is evidenced in the following rankings and accomplishments:

- Kentucky ranked 4th among the states in the *Site Selection* 2004 Competitiveness Award, according to the May 2005 issue of the magazine. The Competitiveness Award is based on 10 quantifiable criteria for measuring business expansion activity.
- Kentucky ranked 12th in the 2004 *Site Selection* Governor's Cup awarded annually to U.S. states with the most new and expanded facilities. Kentucky has the smallest population of any of the states in the top 15, and ranked 3rd in projects per 100,000 population among the top 15. (*Site Selection*, March 2005)
- Kentucky ranked 13th in the 2004 *Site Selection* magazine's list of states with the most new and expanded facilities from 2002 to 2004. Kentucky has the smallest population of any of the states in the top 15. (*Site Selection*, March 2005)
- Kentucky ranked 6th (tied) for 2004 Top States with Most Micropolitans in Top 100 with 7 Micropolitan areas, in *Site Selection* magazine's March 2005 issue.
- Kentucky ranked 8th (tied) for 2004 Top States with Most Top Metros with 5, in *Site Selection* magazine's March 2005 issue.
- Kentucky ranked 7th (tied) for Largest US Corporate Project by number of employees (1600) in 2004 with the announcement of the CitiCorp credit card processing facility in Louisville. (*Site Selection*, March 2005)
- Kentucky ranked 13th (tied) for Largest US Corporate Project by Facility Size in 2004 with the announcement of the Kentucky Cabinet Company plant in Corbin. (*Site Selection*, March 2005)
- Kentucky ranked 7th (tied) for Largest Plastics and Rubber Products project by investment in 2004 with the announcement of a \$54 million investment by Infiniti Media in Paducah. (*Site Selection*, March 2005)
- Eight Kentucky communities ranked in *Site Selection's* 2004 Top 100 U.S. Micropolitans for corporate expansions in 2004, according to their March 2005 issue. The communities are Paducah (T9), Frankfort (T23), Richmond (T23), Mt. Sterling (T49), Somerset (T49), London (T82), Maysville (T82) and Corbin (T82).
- Kentucky ranked 12th in the 2004 *Site Selection* Governor's Cup awarded annually to U.S. states with the most new and expanded facilities. Kentucky has the smallest population of any of the states in the top 15, and ranked 3rd in projects per 100,000 population among the top 15. (*Site Selection*, March 2005)
- Kentucky had three business projects in the top 25 for the first quarter of 2004, as reported in the May 2004 issue of *Plant Sites & Parks*. Listed in the article "Top 25 U.S. Business

Projects Based on New Jobs” were: Citicorp Credit Services Inc. in Louisville, Cosma International in Bowling Green and Affiliated Computer Services Inc. in Lexington.

- In a press release dated October 25, 2004 *Plant, Sites and Parks* ranked Kentucky 7th in the magazine’s annual Bizsites Survey, which examines where companies are actually investing. All states ranked ahead of Kentucky have a larger population.
- Kentucky ranked 4th in the U.S. and 5th in North America for automotive production for 2003 with 1,164,931 vehicles produced according to WardsAuto.com
- *Expansion Management* magazine’s August 2004 issue ranked Kentucky’s Workforce Training Programs, which includes the Bluegrass State Skills Corporation (BSSC), 5th in the U.S. The ranking considered the programs’ efforts in facilitating customized business and industry training services for new, expanding and existing companies.

Accomplishments of Cabinet Departments and Offices

Office of the Secretary

The Office of the Secretary is responsible for the development and administration of the executive policies and for the overall management of the agency. Staff and administrative functions within the Office include communication services and special projects. Attached to the Office of the Secretary are:

Office of Legal Services: Provides all legal services for the Cabinet.

Office of Administrative Services: Provides Cabinet-wide services in areas of fiscal management, budgetary implementation, and personnel support.

Office of Research and Information Technology: provides Cabinet-wide support in the areas of information resources, research services, and strategic planning support services. Consists of three divisions:

Division of Database Systems and Development: Responsible for development of all Cabinet information systems, database development/maintenance, business analysis, and GIS development/maintenance.

2004 accomplishments:

- Provided assistance to thirteen (13) communities and two (2) utilities by developing a local economic development web site and/or assisting them in linking to data in EDIS.
- Completed development of map production tools extension for ArcView designed to improve efficiency of GIS map production by Cabinet staff.
- Provided support for ten (10) industrial development projects since the reorganization, including the development of twenty-four (24) project web sites during calendar year 2004.
- Completed development of Kentucky Commission on Small Business Advocacy web site and related ASP.NET applications.
- Enhanced sites component of EDIS to facilitate land absorption tracking.

Division of Network Administration and Support: Manages the Cabinet's information resources and office automation system and provides computer support services.

2004 accomplishments:

- Created online application to survey Kentucky business and industry
- Upgraded the Cabinet's network and database infrastructure
- Added functionality to the Financial Incentives tracking system
- Implemented enhanced security and virus protection systems

Division of Research and Site Evaluation: consists of two branches – the **Site Evaluation Branch** that maintains current data on available industrial sites and buildings in the state. In addition, the branch assists communities in evaluating potential industrial sites. The graphic section of the branch prepares promotional and informational material for printing and display; and the **General Research Branch** which compiles data on taxes, transportation, education, labor force, industrial services, Kentucky companies, economic and demographic statistics, and community information.

Site Evaluation Branch accomplishments:

- Published 364 industrial site maps and worked on 41 others
- Visited 411 industrial sites in 157 communities
- Visited 61 available industrial buildings and revised information on 88 buildings
- Removed 84 buildings from the available industrial building list and gathered information on 53 buildings that have been, or are expected to be, added to the list
- Provided information for 103 industrial development projects
- Reconciliation of 30 year archived building data in Economic Development Information System (EDIS)
- Implemented planning and zoning tracking system in Economic Development Information System (EDIS)
- Provided assistance for 280 general requests and 475 graphics requests for calendar year 2004, including the Kentucky Derby, trade shows, conferences, and economic development trips.

General Research Branch accomplishments:

- Completed 484 major data projects and responded to 1,211 general data requests for calendar year 2004.
- Produced “*International Trade and Export Potential by Country*” report to discern which countries have the greatest potential to import Kentucky goods and services and where Kentucky’s greatest opportunities for export growth exist.
- Refined and augmented labor estimates, workforce data, and research programs.
- Completed 24 economic impact analyses.
- Surveyed more than 3,800 manufacturing and supportive service facilities to update the Kentucky Business and Industry Information System (KBIS) database. In conjunction with the survey updates, 893 of the facilities surveyed provided information that will be used to populate a new interactive database to promote sales transactions between and with Kentucky companies.
- Completed *High-Technology Industries* report for website.

Department for Existing Business Development

The Department for Existing Business Development is responsible for assisting and encouraging job retention and creation by working with existing business and industry. Partners with outside agencies and communities to conduct workshops, community assessments, and business surveys to support local development efforts. The Department consists of the Division of International Trade, the Regional Economic Development Divisions, and the Division of Small Business Services.

Three hundred and six expansion projects announced during 2004 resulted in more than \$1.77 billion in total capital investments and 11,340 new jobs in Kentucky. Two hundred and fifty-two of those expansions were for manufacturing operations, and represent 7,587 new jobs to be created with investments of over \$1.29 billion. Fifty-four announcements were for supportive/service operations that added 3,753 new jobs and investments of over \$474.71 million.

Business Retention & Expansion

The Department's three **Regional Offices**, based in Prestonsburg, Frankfort, and Madisonville, bear primary responsibility for the Cabinet's work with existing and start-up businesses. This mission to retain existing jobs and create new jobs is accomplished through direct contact with businesses and community

leaders across the Commonwealth.

- During 2004 these three offices accounted for 3,269 business contacts and assisted in 64 business expansion projects. These projects are expected to result in total capital investment of \$462.5 million and the creation of 5,320 new jobs.
- Additional project work included 9 new business start-ups, which are projected to create 469 new jobs, with a total capital investment of \$61 million; and 3 business retention projects, which will invest \$22 million and retain 463 existing jobs.

Major Expansion & Retention Projects

AK Steel Corporation announced a \$65 million investment to upgrade its "Ashland Works" in Boyd and Greenup Counties. The integrated producer of carbon sheet steel products will install a vacuum degasser and straight-mold caster. This investment will help the company retain at least 900 existing jobs at the Ashland Works.

Citicorp Credit Services invested \$13.676 million in a new customer service call center facility in Louisville, which is expected to add 1,453 new jobs to its local operations.

Daicel Safety Systems America LLC manufactures airbag inflators for the automotive industry at its Ohio County facility. An investment of \$25.837 million in new building space and equipment will enable the company to increase production and create 209 new jobs.

General Products Corporation machines cast iron and aluminum castings to manufacture products for the automotive industry at its Logan County facility. The expansion of its current facility by 100,000 square feet will require an investment of \$34.275 million and generate 120 new jobs.

Montaplast of North America, Inc. produces injection molding wheel covers and intake manifolds for the automotive industry at its Franklin County plant. An expansion in new building and equipment is expected to cost \$16.610 million and create 194 new jobs.

Nestle Prepared Food Corporation invested \$30 million in new equipment for the production of frozen food products at its facility in Montgomery County. This expansion is expected to result in 100 new jobs.

New Mather Metals, Inc. manufactures stabilizer bars for the automotive industry at its Simpson County facility. A \$26.877 million investment will enable the company to expand its existing facility by 167,000 square feet and purchase additional equipment, resulting in the creation of 81 new jobs.

Rohm and Haas produces plastics additives, monomers, and coatings at its chemical facility in Louisville. The company is investing \$15 million in the automation of its process operations, which will allow the facility to retain at least 300 existing jobs there.

RR Donnelley & Sons announced an investment of \$34 million at its commercial printing facility in Boyle County, which is expected to create 125 new jobs.

Tokico (USA), Inc., a supplier of components for the automotive industry, is investing \$30 million in new equipment at its Madison County facility. The expansion is projected to create 150 new jobs.

International Trade

Building on Kentucky's continuing export growth, which exceeded \$12.99 billion in 2004, the **Division of International Trade** assists Kentucky businesses through one-on-one counseling sessions and through partnerships with Kentucky's export offices in **Mexico** and **South America**.

- During 2004, International Trade assisted 99 new business clients and handled 172 new requests from existing clients.
- Expanding industry market analyses were performed for the Mexico and South America markets to help target opportunities for Kentucky firms.
- International Trade worked with the Mexico and South America export offices to recruit Kentucky businesses for three major trade shows in the hemisphere - EXPOMIN, Expomanufactura, and ENVIROPRO – along with the Appalachian Regional Commission's trade mission to Mexico.
- The Kentucky South America Trade Office in Santiago hosted Governor Ernie Fletcher's visit to Chile in August. Meetings were held with the President and Vice President of Chile, the Minister of the Economy, the National Federation of Industry and the Santiago Chamber of Commerce. Lexmark, Acerinox, and the American Chamber of Commerce also sponsored significant events during this visit.

Small Business Services

The **Division of Small Business Services** was created by the merger of significant business support programs previously operated under separate divisions. To maximize communication and efficiency, two separate office locations were combined at a single site. The new division offers a variety of programs to support small business development through the efforts of three program branches.

The **Small and Minority Business Branch** handled a total of 2,366 inquiries for business assistance, leading to 1,257 contacts for direct counseling and 784 information packets. This branch also worked with lenders and business owners to develop improved financial assistance tools. During 2004, there were 66 inquiries regarding the linked deposit program, with one loan approved for \$95,000.

The **Business Information Clearinghouse Branch** responded to 13,363 phone calls for informational assistance. Information packets on applicable license and permits were sent to 2,347 callers. In addition to the phone line, another 198 inquiries were received and responded to via e-mail.

The **Procurement Assistance Program** has an active client base of 1,833 client firms, which reported a total of more than \$80 million in government contracts obtained during 2004. The program also held 23 training events and provided 2,156 one-on-one counseling sessions.

Community Programs

As part of its ongoing partnership with the Kentucky Association for Economic Development (KAED) and the Kentucky Association of Counties (KACO), the Cabinet assisted in holding one-day workshops on the economic development process. The workshops are directed to basic education for local elected officials and development board volunteers. During 2004, 150 persons attended six workshops held at London, Fort Mitchell, Madisonville, Mammoth Cave, Lexington, and Kentucky Dam Village.

The **Action Plan** program was launched in early 2004 as a means of helping local development agencies create annual work plans. Cabinet staff and other economic development professionals facilitate the planning process and produce a written report for local use. In 2004, the program facilitated Action Plans with development agencies in Berea (Madison County), Columbia (Adair County), and Booneville (Owsley County).

The **Community Assessment** program, an intensive two-day review of a local economic development program by a team of Cabinet and KAED volunteers, was held in Mayfield (Graves County). The **Business Retention & Expansion** program, which utilizes a survey of major local employers to evaluate the community business climate, was performed in Danville (Boyle County).

Department for New Business Development

The Department for New Business Development is responsible for coordinating the recruitment and attraction of companies that will enhance the overall viability of the state's economy. The Department consists of the Industrial Development Division and two Representative Development offices.

Industrial Development Division: promotes the state as a location for new facilities to domestic and international clients. Initiates and participates in out-of-state trips to recruit industry, providing clients with information regarding location requirements. Travels with company representatives looking at sites and communities in the state. Project managers are assigned to act as liaisons between the client and permitting agencies, financial institutions, training assistance agencies, and local economic development groups.

Representative Development Offices: The Department has representatives in two foreign offices –the Far East Office in Tokyo, Japan, and the European Office in Brussels, Belgium – to aid in the recruitment of foreign companies.

In less than 6 months after taking office, Governor Fletcher made his first official trip to Japan to stress to the Japanese business community the importance of the Japan-Kentucky relationship that has been cultivated for over 20 years. The Governor not only held private meetings with a number of executives of existing Japanese investors in Kentucky, but hosted an appreciation reception in Tokyo for approximately 150 company representatives with Honorable Howard Baker, the then U.S. Ambassador to Japan in attendance.

In September 2004 Governor Fletcher made an economic development trip to Europe visiting Spain, Italy, and Germany. Three significant announcements by European owned companies were made as a result:

3B of Salgareda, Italy, a maker of components for kitchens, baths and living rooms announced a decision to invest \$17 million in Danville in Boyle County for its first production plant in the United States. 3B expects to create 100 jobs at the facility.

North American Stainless, the U.S. subsidiary of Acerinox, S.A. of Madrid, Spain announced a further expansion of its stainless steel manufacturing facility in Ghent, Kentucky. This addition to the \$1.275 billion investment by Acerinox in Kentucky will add 196 new jobs to the plant, bringing employment to over 1,000.

Louisville Gas and Electric's parent company, **E.ON Energie** of Germany announced a decision to build a \$1.2 billion coal fired power plant in Trimble County. Construction is expected to create 600 to 700 construction jobs and 35 permanent full time positions once the plant is on-line in 2010.

In addition, Governor Fletcher met with other investors in Italy and Germany already successfully operating in Kentucky that are considering further investments.

Department for New Business Development accomplishments 2004

- Approximately 160 new projects/clients in 2004
- Over 235 community visits with clients
- Marketing efforts included sponsorship of the Automotive News World Congress in Dearborn, Michigan and the European Congress in Montreaux, Switzerland. Kentucky also exhibited at the International Manufacturing Technology Show (IMTS) in Chicago. Over 300 people visited the Cabinet's booth.

During 2004, new location announcements resulted in total capital investments of more than \$499.8 million and 5,167 new jobs in Kentucky. Thirty-seven of those announcements were for manufacturing operations, and represent 3,404 new jobs to be created with investments of over \$401.8 million. Seventeen announcements were for supportive/service operations, that created 1,763 new jobs and investments of over \$98 million.

Major Location Announcements

Missouri based **Maverick Tube Corporation** selected Louisville, Kentucky, for a \$63 million plant to produce tubular steel products used in energy and industrial applications. Maverick Tube Corporation

will build a 400,000 square foot facility on 50 acres at Jefferson Riverport International in southwest Louisville. The company anticipates becoming operational by late 2005 and projects the creation of 243 jobs within the first two years of the project with an average wage of more than \$16 per hour.

Infiniti Media, based in Torrance, California announced plans to locate a facility in Paducah to manufacture high quality media packaging products in a new 100,000 square foot facility. Employment will reach over 100 with an investment of \$47 million over the first five years of operation. Products include quality audio, video and cassette disk cases and video magnetic tapes.

Webasto, the largest roof system manufacturer in North America, plans to construct a 105,000 square foot expandable building in the Murray-Calloway County Industrial Park. The new plant will be dedicated to the stamping division of their company. It will supply products both to their assembly plants and directly to their customers. Webasto Roof Systems, Inc. (WRSI), located in Rochester Hills, Michigan, is a subsidiary of Webasto AG, located in Stockdorf, Germany. Webasto's newest Kentucky plant in Murray will have an employment base of 150 within two years bringing their total Kentucky employment to approximately 575. Initial capital investment for the Murray plant will be approximately \$14 million.

Konsei USA, Inc., a wholly owned subsidiary company of Kondoh Seisakusho Co., Ltd. of Japan, will build its first North American manufacturing operation in Kentucky. The company will construct a new 10,000 square foot, \$1.5 million facility on 10 acres in LaRue County and plans to hire 20 new employees within two years of project completion. Konsei USA manufactures automotive parts, factory automation systems and pneumatic air grippers as a tier two supplier for numerous automotive manufacturers worldwide.

Belcan Engineering Group has been selected to open a new Engineering Design Center for **Sikorsky Aircraft Corporation**. Belcan expects to open the new Center in Lexington in early January 2005. The facility will occupy approximately 45,000 square feet with an initial investment of \$3 million and 324 employees within two years. Belcan will perform targeted engineering detailed design activities in support of projected growth in Sikorsky's domestic and

international development program requirements. Sikorsky Aircraft Corporation, based in Stratford, Connecticut, is a world leader in the design, manufacture and service of advanced helicopters for commercial, industrial and military uses.

Land O'Frost is the sixth largest brand of retail lunchmeats in the nation. The company plans to construct a 175,000 square foot USDA approved facility on a 28-acre site off Highway 41-A and anticipates the eventual employment of up to 500 Kentuckians. The project represents a \$49 million investment in the Commonwealth. They plan to be in production in late 2005. The company also manufactures specialty meat products sold to restaurants and major food manufacturers.

Zappos.com is the Web's most popular shoe store with sales in 2004 nearing \$175 million. The company is building a 786,000 square foot distribution center across the street from their current 280,000 square foot facility resulting in a \$40 million investment. The company plans to operate both facilities. Zappos.com does all of its distribution from Shepherdsville, Kentucky. The company received approval for \$6.8 million in KJDA benefits and will employ 231 people.

Fuji Autotech U.S.A., LLC is a joint venture between Fuji Kiko of U.S.A. and TACHI-S Engineering U.S.A. Inc. The company announced a new location in Walton, Boone County. The company received KEDFA Board approval for \$2 million in KIDA tax credits for their new automotive seat parts manufacturing facility. The new facility will employ 100 people and result in a \$22 million investment.

Zumbiel Packaging is one of the leading suppliers of paperboard packaging. The company has built a 500,000 square foot facility in Boone County, moving its operation from Ohio. This move will result in 100 new Kentucky jobs with total employment of 435 and a \$42 million investment. The company has received preliminary approval for \$3 million in KIDA incentives and construction is well underway.

Science Applications International Corporation/SAIC is the largest employee-owned engineering, science and technology company in the United States. The company opened a technology solutions center in Somerset's Valley Oak Technology Complex that will result in 53 Kentucky jobs. Its initial focus will be to provide threat reduction assessments, strategies, and operational models for federal and commercial clients. Enterprise services such as information technology asset monitoring and management focusing on 24/7 continuous business improvement methodologies will be delivered on an international scale through the center. The company's investment in the project amounts to \$788,150.

Department of Financial Incentives

The **Department of Financial Incentives** (DFI) coordinates all financial assistance, tax credit and related programs available to business and industry. The Department is comprised of four divisions: Grant Programs Division, Direct Loan Programs Division, Tax Incentive Programs Division, and Program Servicing Division. Additionally, the Bluegrass State Skills Corporation (BSSC) is attached to the department. The employees of the Department also serve as staff to the Kentucky Economic Development Finance Authority (KEDFA), the Bluegrass State Skills Corporation Board, and the Enterprise Zone Authority of Kentucky.

Bluegrass State Skills Corporation (BSSC)

The Bluegrass State Skills Corporation (BSSC) awarded grants totaling \$3,722,479.24 to fund 161 projects in 2004. A total of \$507,846.75 was approved for 33 Workplace Essential Skills projects with funding provided by the Kentucky Adult Education (KYAE) of the Council on Postsecondary Education to 62 Kentucky companies, which included 4 consortium projects with 39 companies. BSSC also approved 128 regular grant-in-aid projects totaling \$3,214,632.49 for 175 Kentucky companies which included 8 consortium projects with 60 companies.

The BSSC Skills Training Investment Credit Program provided \$3,906,681.81 in tax credits for 63 projects in 2004. In addition, 44 companies received final approval of \$1,362,853.68 in tax credits through the Skills Training Investment program.

Economic Development Bond Program (EDB)

The Economic Development Bond Program (EDB) made bond funds available to seven different projects across the State totaling \$2,700,000 during 2004. The Kentucky Economic Development Finance Authority (KEDFA) authorized the issuance of \$235,000,000 in industrial revenue bonds for three projects. Pursuant to KRS 103.210, KEDFA reviewed eleven local issues of industrial revenue bonds.

Kentucky Economic Development Finance Authority (KEDFA)

The Kentucky Economic Development Finance Authority (KEDFA) approved a total of \$5,570,000 in direct loans to 9 different borrowers in 2004. The loans were made to both new businesses coming into the state as well as to expanding businesses and to local industrial development authorities. The loans will help create at least 86 new jobs in Kentucky over the next two years.

Kentucky Economic Opportunity Zone Act (KEOZ)

The Kentucky Economic Opportunity Zone Act (KEOZ) provides tax credits to companies that establish new or expand existing manufacturing, service or technology operations in a qualified zone. Qualified zones are located in areas with high unemployment and poverty levels. There are five (5) communities and thirty (30) KEOZ qualified counties as of the end of 2004. KEDFA has approved two (2) projects totaling \$590,000 for service and technology companies in Floyd and Hardin Counties and two (2) manufacturing projects in Letcher and Taylor Counties in the amount of \$450,000.

Kentucky Industrial Development Act (KIDA)

With assistance from the Kentucky Industrial Development Act (KIDA) program 51 companies expanded or located new operations within the state from January 1, 2004 through December 31, 2004. These 51 companies are anticipated to invest approximately \$988,842,750 and create 4,655 new jobs. An additional 26 companies completed their KIDA transactions during

the same period resulting in 2,097 new jobs and private investment of approximately \$322,586,604.

Kentucky Industrial Revitalization Act (KIRA)

Two companies received final approval during 2004 under the KIRA program resulting in the retention of 1,295 jobs that would have been eliminated absent the use of these incentives. Approximately \$83 million in private capital was invested to stabilize the economic condition of the two facilities assisted through the authorization of \$45 million in KIRA incentives. Two additional companies received preliminary approval that will result in the retention of 441 jobs and \$21 million in private investment.

Kentucky Jobs Development Act (KJDA)

For the period of January 1, 2004 through December 31, 2004, 29 companies were preliminarily approved for an accumulative total of \$73,291,576 in approved costs, projecting the creation of 4,276 new Kentucky tax-paying jobs with average annual wages of \$36,697. Additionally, 25 companies received final approval for an accumulative total of \$57,857,956 in approved costs and generating 2,367 new Kentucky jobs with \$44,639 in average annual wages.

Kentucky Rural Economic Development Act (KREDA)

A total of 27 companies received preliminary approval under the Kentucky Rural Economic Development Act (KREDA) program from January 1, 2004 through December 31, 2004. These 27 companies are anticipated to invest approximately \$238 million and create 2,634 new jobs in Kentucky's higher unemployment counties. During the same period, 18 companies finalized their KREDA transactions resulting in new private investment of \$308 million and the creation of 2,357 jobs.

Tax Increment Financing (TIF)

KEDFA approved its first project under the newly established TIF infrastructure development program for a project being undertaken by the Inter-Modal Transportation Authority, Inc. The Kentucky Transpark is to be located in northern Warren County and received approval under a master agreement for \$6.3 million in incremental state taxes over a 20-year period.

Kentucky Investment Fund Act (KIFA)

Three investment funds received approval from KEDFA for a total of \$2,765,000 in tax credits from January 1, 2004 through December 31, 2004.

Department for Regional Development

The Department for Regional Development (DRD) administers the multi-county Local Government Economic Development Fund (LGEDF) program. LGEDF was established to diversify the economy of the state's coal producing regions, which includes some of the Commonwealth's poorest counties. KEDFA approved five LGEDF projects during the calendar year 2004. The grants total \$5.44 million and were designated for engineering, infrastructure, acquisition and building construction including funding for acquisition of land for the Paradise Regional Business Park in Muhlenberg County and the Elk Hill Regional Industrial Park in Clay County.

DRD's mission changed somewhat from 2003. In June 2004, the Kentucky Economic Development Partnership passed a resolution transferring all administrative authority and obligations related to the LGEDF single county coal severance funds to the Governor's Office for Local Development (GOLD), effective July 2004. A subsequent agreement with GOLD resulted in DRD retaining oversight and administrative responsibility for single county projects that had been approved prior to the effective date of the transfer contemplated in the Partnership Board resolution. These responsibilities continue to require attention and place DRD staff in the position of not only monitoring administrative and financial compliance but also assisting with marketing of land and buildings developed with single county LGEDF.

Department for Regional Development staff have also taken an active role in assisting with the Cabinet's Homeland Security related economic development efforts, with emphasis on seeking federal contracting opportunities for Kentucky businesses and programs and projects of the Department for Innovation and Commercialization for a Knowledge Based Economy. DRD continues to focus on development, marketing and maintenance of the regional industrial parks.

Since the beginning of the LGEDF program eleven industrial parks encompassing over 3,900 acres were developed. Land for a twelfth park was acquired that will provide an additional 500 acres.

Efforts to date have placed 18 companies with a total of over 3,500 jobs projected for creation in the regional parks. These projects are expected to result in total capital investment of more than \$300 million. With varying degrees of assistance from DRD, the following companies announced locations and/or expansions for 2004:

Schlumberger, Inc. (Honey Branch Regional Business Park) Schlumberger, a NYSE traded global oilfield and information services company, will be locating in the Honey Branch Regional Business Park, Martin County. Construction has begun on a \$3 million facility located on an 18-acre site for lease to Schlumberger. The facility will serve as the company's regional gas field service center. Schlumberger will be retaining 89 employees and creating up to 60 additional employees. DRD also arranged financing for \$2.5 million in road, water, sewer and other public improvements at this location.

Consolidated Pipe and Supply (Honey Branch Regional Business Park) Five useable acres in the Honey Branch Regional Business Park were sold to Consolidated Pipe, a pipe distribution company. The company is building a new facility and creating 10 new jobs.

BJ Services Company, U.S.A. (Gateway Regional Business Park) BJ Services is a Delaware corporation headquartered in Houston, Texas. They are an oil and gas well servicing facility. BJ Services will be the first company to locate in the Gateway Regional Business Park, investing \$1,644,596 in the project and constructing a 12,290 square foot facility on approximately 7.5 acres. Employment levels are expected to reach 29 once operational at \$13.40 per hour plus benefits.

Taylor Metal Roofing and Siding, Inc. (Gateway Regional Business Park) Taylor Metal Roofing and Siding, Inc. manufactures and distributes metal roofing and siding panels, related trim components, several types of insulation, doors, and sliding door track systems. The company has been in business since 1998. The company plans to relocate and expand its facilities in Letcher County. The project includes the purchase of 6 acres of land in the Gateway Business Park, construction of a 12,000 square foot building, and the purchase of new equipment, and the creation of 10 additional jobs upon completion of the \$320,000 project.

Pepsi-Cola Bottling Company of Corbin, Kentucky Inc. (Southeast Kentucky Regional Business Park) With a \$1.5 million investment Pepsi will be locating in a 54,500 square foot spec building on 12.784 acres located in the Southeast Kentucky Regional Business Park in Knox County. This building was financed with LGEDF and EDA funds. They plan to employ approximately 40 people. Pepsi plans to utilize the facility to consolidate its fountain and vending sales distribution and repair operations, which are currently housed in separate warehouses.

Coca-Cola Enterprises, Inc. (Mossy Bottom Industrial Park) Coca-Cola will be locating in a 57,528 square foot vacant building in the Mossy Bottom Industrial Park located in Pike County. The building was financed with LGEDF and other sources. The company will be retaining 20 jobs and creating an additional 20 jobs.

Daicel Safety Systems America (DSSA) (Bluegrass Crossings Business Centre) The Department for Regional Development helped negotiate the sale of 20.5 acres and off site improvements in the Bluegrass Business Centre in order for Daicel to expand their current facility. Daicel manufactures the devices that deploy automotive airbags for a number of automotive manufacturers. The expansion involves the manufacture of side impact airbag inflators. The company has indicated that 392 new employees will be hired as a result of the expansion project and require an additional company investment of \$26 million.

M B Lumber Company, Inc. (Coal Fields Regional Industrial Park) M B Lumber is purchasing an existing 41,250 square foot industrial shell building on 6.6 acres in the Coal Fields Park, Perry County. The land was financed and developed with local government economic development funds (LGEDF). The company expects to create 15 new jobs by the end of 2005 with the \$1.3 million project.

ABC, Group Holdings, Inc. (Laurel County) ABC Group Holdings, Inc. is a Canadian based, privately held automotive systems supplier. The company is purchasing an existing spec building, financed partially with LGEDF, in the London-Laurel County Industrial Park. The company has committed to 150 new jobs and an investment of \$20 million.

Martin County has successfully sold a 10,800 square foot building in their industrial park. The facility was developed with assistance from the LGEDF and has been vacant for sometime. The sale has allowed Martin County to recover funds invested in the project while also eliminating its ongoing cost of maintenance and insurance and placing the building into productive use.

Kentucky Strategic Plan for Economic Development

In 1992 the Kentucky General Assembly enacted HB 89 to provide for continuity and stability in the state's economic development system, professionalism in the leadership of the primary state economic development agency, and long-range planning to meet the demands of a competitive global economy. HB 89 mandates the preparation of a state strategic plan for economic development and the creation of the Kentucky Economic Development Partnership. The Partnership is responsible for directing and overseeing the Cabinet for Economic Development and adopting a Strategic Plan.

The Partnership sought broad-based input and participation of public and private individuals and organizations, resulting in the adoption of the first Kentucky Strategic Plan for Economic Development in May 1994. Public/private sector cooperation remains a driving force in realizing a common mission, "To create more and higher quality opportunities for all Kentuckians by building an expanding sustainable economy."

The Plan was revised in 1997 to reflect 20 completed tactics and new tactics that were needed to accommodate emerging possibilities and priorities. The Partnership updated the Kentucky Strategic Plan for Economic Development for 2002-2006, to meet legislative requirements for strategic planning adopted by the 2000 Kentucky General Assembly. A revised strategic plan was submitted with the biennial budget request in November 2003, as required by law.

The latest update to the Kentucky Strategic Plan for Economic Development was revised with input from staff, considering a review of the following documents: FY 2004 Strategic Plan Progress Reports, Governor Fletcher's "Restoring Hope" document and the Governor's strategic vision of "A Commonwealth of Opportunity". The Kentucky Strategic Plan for Economic Development 2005-2009 was adopted by the Partnership at their December 17, 2004 board meeting. The Cabinet's biennial budget for 2005-06 does not include expansion items or new programs. Most of the Objectives listed in the Strategic Plan will be accomplished with existing resources. Objectives 1.1, 1.3, 3.2, 3.4, and 4.1 may need funding to accomplish and the appropriate budgetary request will be made with submission of the biennial budget in 2007-08. None of the Objectives in the Strategic Plan impact the 6-Year Capital Plan.

To obtain a copy of the latest Kentucky Strategic Plan for Economic Development go to the Cabinet's web site at www.thinkkentucky.com or send an e-mail request to econdev@ky.gov .

2004 Accomplishments

Kentucky Strategic Plan for Economic Development

Objective 1.5 Review personal service contracts for banking and legal services to identify possible cost saving opportunities

In negotiating the legal contracts for the new biennium, the Cabinet reduced the number of contract firms from three to two. The Cabinet legal staff has been consolidated with the intent to bring some items that were traditionally assigned to outside counsel in house. With regard to the banking contracts, we will continue to consider alternative options, but the Cabinet is maintaining the banking contracts in their current form.

Objective 1.8 Fully integrate the LGEDF and New Economy programs with other Cabinet administered programs

The Kentucky Economic Development Partnership Board enacted a resolution, which in part moves the single county LGEDF funds to the Governor's Office for Local Development (GOLD) and reorganizes the Office of the New Economy (ONE) into the Department of Innovation and Commercialization for a Knowledge Based Economy. The Cabinet transferred all single county LGEDF program files and actions to GOLD effective July 6, 2004. The KIFA program has been returned to KEDFA for administration.

Objective 2.5 Work with the Natural Resources and Environmental Protection Cabinet to implement the voluntary environmental remediation program

The Environmental and Public Protection Cabinet issued administrative regulation 401 KAR 100:030 in the spring of 2004 for implementation of a voluntary environmental remediation program.

Objective 3.1 Analyze recent trade patterns by industry and market to identify and prioritize new initiatives to promote export sales growth

Cabinet staff completed an analysis of growth industries in the Mexican and South American markets that enabled International Trade staff to identify and communicate with target businesses in Kentucky for participation in industry-specific trade shows and missions. Seven businesses were represented at the EXPOMIN show in Chile in April 2004. Additional events include the BIO2004 trade show in Chile and ARC trade mission to Mexico, both in October 2004.

Objective 4.1 Implement program to facilitate the work of community-based economic development agencies for local and regional strategic planning to promote business investment and job growth

Cabinet team completed the implementation of the new "Action Plan" program to assist local development agencies in creating and implementing a plan of work. A program guide has been created, a team of facilitators trained, and appropriate program materials secured. The program was introduced at the April KIDC meeting and explanatory fact sheet added to the Cabinet web site in June. Three Action Plan exercises – Berea, Columbia-Adair County, and Owsley County – were completed in 2004.

Benchmarks

The Kentucky Legislature established in HB 89 the requirement that the Kentucky Economic Development Partnership, establish objective benchmarks to measure the performance of Kentucky's economy and progress toward achievement of the mission statement, goals, and guiding principles from the *Kentucky Strategic Plan for Economic Development*. (KRS 154.10-140) Benchmarks provide measurable indicators on whether Kentucky is keeping pace or falling behind compared to competitor states and the nation and provide an important accountability measure for spending taxpayer dollars on economic development efforts. Six benchmarks were chosen by the Partnership reflecting Kentucky's lower cost of living compared to the nation. Kentucky's cost of living for 2000 is estimated to be 91.0% of the United States Average (46th lowest in the United States including the District of Columbia). *

Kentucky Strategic Plan for Economic Development Benchmarks

	Gross State Product Per Capita (Current \$) (p)	Per Capita Personal Income (p)	Average Wage Per Job (p)	Research and Development Expenditures Per Capita	Poverty Rate	Unemployment Rate
United States	\$37,520p	\$ 32,937p	\$ 37,154	\$ 814	12.3%	5.5%
Kentucky	\$31,323p	\$ 27,709p	\$ 31,382	\$ 214	14.7%	5.3%
Kentucky's Rank	41	42	33	43	40	29
US – Kentucky	\$ (6,197)	\$ (5,228)	\$ (5,772)	\$ (600)	-2.4%	-0.2%
Kentucky as a percentage of US	2003 83.5%p	2004 84.1%p	2003 84.5%	2000 26.3%	2003 119.5%	2004 96.4%
Kentucky's Targeted Benchmarks as a Percentage of the United States						
2007	86.0%	83.0%	84.0%	35.0%	115.0%	101.0%
2012	88.0%	85.0%	86.0%	55.0%	110.0%	100.0%
2017	90.0%	88.0%	88.0%	75.0%	105.0%	98.0%
2022	92.0%	92.0%	92.0%	92.0%	100.0%	95.0%

p = preliminary

Sources: Data derived from information provided by the United States Bureau of Economic Analysis, United States Census Bureau, United States Department of Labor, and the National Science Foundation.

* 2000 COL index calculated by the *American Federation of Teachers*. For details, see F. Howard Nelson, "An Interstate Cost-of-Living Index," *Educational Evaluation and Policy Analysis*, Spring 1991, Vol. 13, pp 103-111. <http://www.aft.org/research/reports/col/colpape3.htm>. Alaska and Washington, D.C. cost-of-living data are from American Chamber of Commerce Researchers Association (ACCRA).